

REVITALIZING RURAL AMERICA: ISSUES AND CHALLENGES

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Rural America is at a critical juncture. Staggering declines in farmland values and the instability of net farm income coupled with increased agricultural competition and the economic decline in other natural-resource-based industries such as mining, timber and petroleum have brought home the reality of the rural crisis. When combined with the loss of manufacturing jobs endured by the rural sector during the early 1980s, the overall effect is an almost daily drain on the resources and vitality of rural America.

During the 1960s and the 1970s, the rural economic base was transformed from a primary dependence on natural resource activities, including agriculture, to a dependence on manufacturing and services. This shift was so great that even many farm operators spend a major part of their time working off the farm and farm families as a group now receive nearly 50 percent of their cash income from nonfarm sources.

Relatively greater dependence on goods production—the kinds of rural manufacturing industries and jobs within these industries—and sharp declines in natural-resource-based industries and agriculture, have been the principal causes of economic stress in rural America in the 1980s. Indicators of rural economic stress include:

Metro employment grew three times as fast as nonmetro employment during 1979–85 (10 percent vs. 3 percent), a reversal of the 1970s when nonmetro employment grew more rapidly. Nonmetro population growth also lagged behind metro growth in the 1980s and net migration favored metro areas. Both of these conditions are also a reversal of the 1970s.

For 1985, the nonmetro unemployment rate averaged about 9 percent, more than 2 percentage points higher than the

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metro rate. The nonmetro unemployment rate has fallen much more slowly than the metro rate during the current economic expansion.

The nonmetro poverty rate was 18.3 percent in 1985 compared with 12.7 percent for metro areas. While the metro rate has fallen during the recovery from the recession of the early 1980s, the nonmetro rate has been virtually unchanged.

A survey of the rural American landscape provides a few basic facts from which some definite challenges and opportunities may be derived.

Fact 1: *HARD WORK AND THE SUCCESSFUL MANIPULATION OF NATURAL RESOURCES DO NOT GUARANTEE ECONOMIC SUCCESS.* The recent experiences of individuals in thousands of rural farm, forestry, mining, fishing, manufacturing and oil communities reinforce the fact that control over soil fertility, water availability, other aspects of farming and natural resource extraction or the ability to produce manufactured goods do not translate into economic prosperity. In today's depressed agriculture and raw materials markets and the global restructuring of industrial production, the survival of many rural families is dependent upon the economic vitality of the rest of the community that provides them with jobs in other sectors.

Challenge: Maintain and enhance competitiveness in natural resources sectors. Though declining in relative importance for the rural economy as a whole, farm- and agriculture-related industry remains important to the economic well-being of farm-dependent counties. With the slowing of growth in world population, the increase in world food production and the emerging food exporting capabilities of countries such as Brazil, China and India, it is extremely important for U.S. agriculture to emphasize competitiveness. Within the overall global economic scheme, this includes a major commitment to continued improvements in efficiency by adopting improved technology, in particular biotechnology; adapting systems of integrated management; developing and using new marketing alternatives; and producing new products for world markets.

Similar attention and effort should be applied to other natural-resource-based industries such as timber to improve their competitive stance as well.

Challenge: Diversify community economic bases. As rural America strives to maintain competitiveness, it must also focus attention on what is to be done with its surplus resources—land, capital and labor. For those resources that will not be used in food, fiber and manufacturing production—and for the jobs associated with them—adequate alternatives must be developed. Such alternatives include adding value locally, stopping leakages and developing new industries such as tourism.

Challenge: Assist families and youth during the transition. For many farm families the inability to earn a living by tilling the soil comes as a shocking reality. States and local communities need to establish programs in stress management, financial management, home-based business development and nonfarm job training to help ease the transition for farm families.

Of particular importance are programs designed for rural youth who are having a difficult time adjusting to a new rural context that may make it impossible for them to farm on a full-time basis.

Fact 2: CONTROL OVER LOCAL DESTINY HAS BEEN DIMINISHED. Decisions about social, political and economic futures of many rural communities are being made in Tokyo, Vienna, Washington or the nearest large metropolitan center. Not only is it vital for rural leaders to understand the dynamics of today's decision making, but they also must learn to use these new dynamics to their own advantage. Rural America's survival is dependent, in part, on the enlightened perspective of local leaders who will be shaping the futures of their communities.

Challenge: Understand the locus of external decisions. More and more rural leaders have come to recognize that because of linkages with various state and federal agencies there has been an increasing separation among local institutions. Schools, for example, relate to one set of external agencies, hospitals to another, county governments to another and so on. Thus, not only are forces outside the community exercising influence and making decisions, but there also has developed a growing lack of cooperation and collaboration among community service providers. The most pressing challenge for today's rural leaders and the organizations that attempt to work with them is to confront the forces of separation without losing contact with their local citizenry.

Challenge: Build the capacity of local decision makers. Expanding the capacity of all local decision makers—public officials, local entrepreneurs and community leaders—relates to their ability to understand and appreciate the value of information, where they can get information that applies to their individual situation and how to best utilize that information.

Fact 3: SERVICE DEMANDS ON LOCAL GOVERNMENTS GROW AS REVENUES DIMINISH. The dilemma facing small communities can be summed up as follows: With revenues being squeezed at the federal, state and local levels and local service demands and responsibilities increasing, do local officials seek other revenue sources or lower the quality of schools and other local services?

Challenge: Explore all available avenues of potential savings and substitute different institutional arrangements. Many rural communities can profit by creating new institutional arrangements and net-

works to realize savings. By banding together with other jurisdictions to deliver services more efficiently and allowing private firms to provide certain other services, many rural governments can increase their efficiency and stretch their reduced revenues. In addition, infrastructure adjustments such as service reductions (including permanent road closings and a two-tiered road maintenance system) need to be considered.

Challenge: Seek new ways to deliver services. The trend toward functional consolidation and privatization is enabling many rural communities to cope with reduced revenues and increasing service demands. There is an obvious need for a much more effective sharing of experiences among local governments.

Challenge: Develop alternative revenue sources. Many rural communities need to weigh new taxes, user fees and intergovernmental transfers as possible sources for much needed revenue while others opt for service reductions. In the end, it is the residents who decide which option to pursue.

Challenge: Encourage public sector entrepreneurs. Rural governments need to develop a production, marketing and finance system that encourages and rewards risk taking, innovation and initiative. In short, rural America needs more public sector entrepreneurs to assist with the delivery of the health, transportation, education, environmental, energy and other services it provides its residents.

Fact 4: HUMAN AND FINANCIAL CAPITAL ARE FLOWING OUT OF MANY RURAL AREAS. Many rural communities direct an inordinate amount of attention to the specific nature of their financial links to regional and national capital markets. What these communities should be doing is creating investment opportunities through broad-based economic development strategies. In this way, rural areas will be better able to both retain existing capital and attract new financial capital.

But when difficult access to financial capital is combined with the loss in rural areas of human capital, the task of revitalizing rural America becomes an even greater challenge. If local leaders can identify and stimulate those industries that have the greatest economic potential in their areas, they can reverse the loss of human and financial capital.

Challenge: Create investment and entrepreneurial opportunities. New products and new concepts generate new wealth and can result from the retention and expansion of existing businesses as well as from new business formations. Whatever the strategy, it is critical that rural communities do not allow all the new dollars to escape. In addition to developing export businesses, rural communities can effectively reduce the leakage of dollars by creating investment and entrepreneurial opportunities that translate into goods and services suitable for the local economy. And many rural communities need to

develop entrepreneurial support systems, incubator programs and other measures to spur entrepreneurial activity.

Challenge: Increase off-farm employment opportunities. The generation of off-farm sources of income is a critical ingredient in the development of an effective rural economy in which there are large numbers of farms.

More local communities need to focus on the information/service sectors as employment generators, bringing diversity to their traditional economic development strategy of luring goods-producing industries to their areas. Capitalizing on income from transfer payments, dividends, interest and rent should also be included among the economic development strategies.

Fact 5: RURAL AREAS ARE MORE DEPENDENT ON VOLUNTEER LEADERSHIP. A large number of volunteers are among the more than 300,000 elected officials who manage the affairs of the country's 54,000 units of local government (county, town, school and special districts). As a result, many of them have neither the time nor the resources to keep abreast of the new developments and the many technical specifics necessary to the operation of today's complex government institutions. Other rural communities are disadvantaged because their local employees often are unable to keep pace with a rapidly changing technology, causing their community to lose its competitive edge on business development.

Challenge: Improve support and provide continuing education for community leaders. Education and technical assistance are critical for expanding the effectiveness of local officials, helping them perform their tasks and cope with community needs. The availability and application of information for local decision making is also critical.

Challenge: Empower rural leaders. The vitality of rural communities depends on developing new and innovative leaders. Rural leaders can take the lead in empowering individuals to bring about community change by eliminating maintenance management in favor of leadership with vision; viewing change as an inevitable situation filled with unlimited possibilities for positive responses; and fostering an internal organizational environment that encourages creativity and honest communications.